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Argentina: Loans from Abroad

Argentina apparently will receive nearly $1 billion in commercial loans this year from financial institutions in North America and Western Europe.

Economics Minister Martinez de Hoz, on his recent eight-country swing through Western Europe, reportedly received promises of loans totaling over $300 million from West Germany, France, the UK, Switzerland, Italy, Spain, Belgium, and the Netherlands. This sum, together with $500 million already promised by US banks, a probable $80 to $100 million from Canada, and $300 million practically assured from the International Monetary Fund, should cover Argentina's debt service payments for 1976.

Most of the loans will have four- or five-year maturities, providing Argentina an opportunity to build a stronger foreign exchange position before large annual payments are again required.

The majority of the private loans are contingent on International Monetary Fund approval of a standby credit in addition to its $300 million loan. The IMF decision, likely this month, probably will be favorable. The government's success in reducing inflation—from 38 percent in March to under 3 percent in June—and in halving the huge fiscal deficit will probably convince the IMF that the junta is adequately controlling the economy even though the budget deficit is still large.

Some lenders are also waiting to see whether the country can now recover from the recession that was deepened by the successful anti-inflationary actions. Prospects for success have improved since agriculture, the key sector in recovery, received a significant boost last week when heavy rains broke the drought that was retarding wheat planting

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